



Corrective Action Taken In Response To Issues Raised In The Report Of The Auditor-General

Review of Auditor General's Report for 2008/2009 Financial Year

	Emphases of the matter	Timeframe	Intervention/corrective action
11	No GRAP Implementation plan	30 Dec 2009	We have entered into a tripartite agreement with UMDM and Pastel Evolution on system enhancement and GRAP conversion.
13.3	Annual Report was never submitted to AG together with AFS	30 Jan 2009	It will be submitted to AG before end of January 2010
13.11	No risk management strategy and fraud prevention plan	30 June 2009	We shall make it available before 30 June 2009
13.15	No appropriate information system to facilitate the preparation of a performance report that is accurate and complete	Quarterly	Ensure regular assessment of performance of departments operating under section 57 managers.
13.16	Inadequate control processes and procedures for insuring the accuracy and completeness of reported performance information.	January Or Feb 2010	We shall organize a week long workshop on "Financial Staff members , section 57 managers policies and procedures" to be attended by all Finance together with internal auditors of the council.
13.17	No strategic plan was prepared & approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Impendle Municipality against its mandate, predetermined objectives, outputs, indicators and targets, as set out in s68 of the MFMA	February , May , August & November	Ensure regular assessment of performance of departments operating under section 57 managers.
13.18	No functioning PMS and performance bonuses are only paid after proper assessment and approval by those charged with governance.	February, May, Aug & Nov	Ensure regular assessment of performance of departments operating under section 57 managers.
21	Internal Auditing did not develop and implement systems, mechanisms and processes for auditing the results of performance measurement.	Jan or Feb 2010	Developed Internal Audit plan for each year be properly communicated/workshopped to all Finance Staff members and section 57 managers.
22	Lack of adoption or implementation of a performance management system.	30 Jun 2010	In order to address our weaknesses, we are preparing to pave way towards accessing benefits of using PWC designed electronic PMS that provincial treasury holds for municipalities.
23	No mid year budget and performance assessments	25 Jan 2010	Ensure submission of mid year report showing variance between actual and budgeted figures for the first six months of implementation of 2009/10 budget.



Financial Ratios

Liquidity Ratios

Current Ratio - Current Assets divided by current liabilities:

$R4585244 / 1915858 = 2.39:1$

Acid test ratio - Current Assets minus stock divided by current liabilities: $R4585244 / 1915858 = 2.39:1$

Debt Collection Rate

Rates & Refuse Debt collection rate=Annual receipts (Cr) divided by Annual billing (Dr) times 100: $R180101 / 182932 * 100 = 98$

Assessment Of Arrears On Municipal Rates And Taxes

Item	Details	30 Days	60 Days	90 Days	120 Days	150 Days	180 Days	Total
	Debtors Age Analysis							
1200	Water	0	0	0	0	0	0	0
1400	Rates Property	26721	0	0	-	39031	37836	103589
1600	Refuse Removal	2303	2287	2261	2417	62326	52118	123712
	Sundries	5133	14948	3850	1670	2215184	2982525	5223310
2000	Total By Income Source	34157	17235	6111	4087	2316542	3072480	5450611
	Debtors Age Analysis By Customer	30 Days	60 Days	90 Days	120 Days	150 Days	180 Days	Total
2200	Govt	21 402	5 790	2 457	1 235	23 834	38 759	93 475
2300	Business	10 212	6 789	1 268	1 568	77 524	56 993	154 353
2400	Household	-	-	-	-	-	1 043	1 043
2500	Other	2 543	4 656	2 386	1 284	2 215 184	2 975 686	5 201 739
2600	Total By Income By Customer Group	34 157	17 235	6 111	4 087	2 316 542	3 072 480	5 450 611



Accounting Policies

Basis of presentation

These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Finance Officers in its Code of Accounting Practice (1997) and Report on the Published Annual Financial Statements for Local Authorities (Second Edition, January 1996 as amended).

These financial statements are prepared on the historical cost basis, adjusted for capital expenditure as more fully detailed in the accounting policy note three.

The financial statements are prepared on the accrual basis:

- Income is accrued when collected and measurable and available to
- Finance expenditure, known expenditure to date of preparation of the
- Financial statements are accrued in the year it is incurred.

Consolidation

The balance sheet includes Rates & General Services, the different Funds, Reserves and Provisions.

Fixed Assets

Fixed Assets are stated:

- At historical cost, or
- At valuation (based on the market price at the date of acquisition), where assets have been acquired by grant or donation.
- While they are in existence or fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the Chief Financial Officer.

Depreciation

The balance shown against the heading "Loans Redeemed and Other Capital Receipts" in the notes to the balance sheet tantamount to a provision for depreciation; however, certain differences do exist, By way of this "provision" assets are written down over their estimated useful life. Apart from advances, the various council funds may be acquired through:

Appropriations from income where the full cost of the asset forms an immediate and direct charge to operating income, and therefore it is unnecessary to make any further provision for depreciation. A grant and donation, where the amount representing the values of such grant is immediately credited to the "Loans Redeemed and other Capital Receipts" account.

All net proceeds from sale of fixed assets are credited to the Public Improvement

Fund

Net proceeds from sale of fixed assets are credited to the Capital Development Fund



Funds

Capital Development Fund

The Local Authorities Ordinance 1974 (25 of 1974) requires a minimum of 3.0 percent of the defined income of a local authority. The fund is used to finance capital expenditure and the surplus funds are invested. Council resolved not to make further contribution this year due to conversion to GRAP soon to be effected.

Call Accounts

Investments are shown at cost and are in securities prescribed in section 125 of Ordinance 25 of 1974.

Provisions

- Audit Fees

The provision balance is stated at the estimated cost at the end of the year.

- Accounting Fee.

The provision balance is stated at the estimated cost at the end of the year.

Salaries (Level Pay Provision)

The provision balance is stated at the estimated cost due to the estimated number of leave days due at year end.

Income Recognition

Assessment Rates

Assessment rate are on flat rate and levied on land, dwellings and business buildings only and the rates used are approved by Council during the budget process.

Interest Income

Interest is recognized when received.

Retirement benefits

Impendle Municipality employees contribute to the Natal Joint Municipal Pension Fund and its councilors contribute to pension fund which provides retirement benefits to such employees and councilors

The retirement benefit plan is subject to the Pension Fund Act 1956 with pensions being calculated on the final current contributions are charged against operating income on the basis of current service costs. Unfavourable cost of securing increased benefits are written off over the lesser of the remaining period of service of employees or five favourable experience adjustments are retained in the retirement benefit plan.

Full actuarial valuations are performed at least every three years.



Report Of The Audit Committee

Introduction and Background

Impendle Local Municipality has an Audit Committee as required by section 166 of the Municipal Finance Management Act 56 of 2003 (MFMA).

Composition of the Audit Committee

The Audit Committee has three (4) members who are not in the employ of the Municipality as required by section 166 (4) of the MFMA. Below are the names of the Audit Committee Members as appointed by the Municipality's Council:

Member's Name	Title / Designation	Appointed By Council
Mr. R. M. J. Baloyi	Chairperson	Yes
Ms S. Rajah	Member	Yes
Mr. B. Zuma	Member	Yes
Mr. S. Shezi	Member	Yes

Meeting Attendance

The Committee had scheduled four (2) meeting for the 2008-2009 financial year and the attendance at these meetings recorded as follows:

Member's Name	Title / Designation	Number of Meetings Attended
Mr. R. M. J. Baloyi	Chairman	2
Ms. S Rajah	Member	New Member
Mr. B. Zuma	Member	2
Mr. S. Shezi	Member	New Member

Functions Carried Out

The following functions were carried out by the Audit Committee, as prescribed by the MFMA, in its meetings for the year ended 30th June 2009:

Advised on matters relating to:

- Internal financial control and internal audits;
- Risk Management;
- Accounting policies;
- Adequacy, reliability and accuracy of financial reporting and information;
- Effective governance;
- Compliance with the Municipal Finance Management Act, the Annual Division of Revenue Act; and any other applicable legislation; and



The Audit Committee did not review the Annual Financial Statements to provide the Council of the municipality with an authoritative and credible view of the financial position of the municipality, its effectiveness, and its overall level of compliance with legislation, the annual Division of Revenue Act and any other applicable legislation due to the fact that the operation of the Audit Committee commenced just after the Financial Statement of the Municipality been forwarded to Auditor General.

The Audit Committee also reviewed work performed by the Internal Audit Department. A total of 10 audit projects were approved the Internal Audit managed to conducted all audits as planned and out of 10 planned audits 5 follow up audits were conducted based on risks that were highlighted during the time of audit.

Chairperson of the Audit Committee
RMJ Baloyi







chapter five

Office Of The Municipal Manager

The Municipal Organisational Structure consists of 3 departments each headed by a Manager who reports directly to the Municipal Manager. Listed in this section are the functions that are performed by each programme within the organizational structure with outputs, performance measures and performance targets.

Overview

The Municipal Manager is required to lead and direct the administration aspects of the Municipality and account to the Municipal Council so that economic growth and development is facilitated, poverty is alleviated, an effective service is delivered to stakeholders and the long term sustainability of the Municipality is ensured within the requirements of the relevant legislation.

Description of the activity

To manage the municipality's administration in accordance with the Local Government: Municipal Systems Act and other legislation;

- To implement the municipality IDP, and to monitor the progress with the implementation of the plan;
- To manage the provisions of services to community, residents and rate payers in a sustainable manner;
- To control and manage the effective utilization and training of staff;
- To maintain discipline of staff;
- To promote sound labour relations;
- To advise the structures and functionaries of the municipality;
- To manage the communication between the municipality's administration and its structures and functions;
- To carry out the decisions of the structures and functions of the municipality;
- To administer and implement the municipality's By- Laws and other legislation;
- To implement national and provincial legislation applicable to the municipality; and
- To ensure monitoring and evaluation of risk management.

Analysis of the function

The Office of the Municipal Manager that co-ordinates the strategic direction and ensures poverty alleviation and facilitation of sustainability. This office leads, directs and manage top management in performance of duties to meet council objectives. It strategically controls the utilization of council resources in pursuit of an economic, effective and cost efficient service delivery. Adherence to legislation in relation to Employment Equity and the oversight of the Mayor and Municipal Manager are the prime responsibilities of this office. So is bearing responsibility for all income and Council expenditure as well as assets and discharge of liabilities.



Municipal Manager									
Strategic Objective	Measurable	Performance	2008/2009		2008/2009		Planned Measures For Improvement		
	objective/output	Measure/Indicator	2008/2009		Annual Performance				
			Target date	Actual Date	Target	Report			
Institutional Development & Transformation									
Ensure the review the organisational structure and policies in line with the strategic & operational requirements	Reviewed Organisational Structure	New organisational Structure. Council resolution	Sept 2008	Mar-09	1	1			New timelines set for completion of task by March 2010
Ensure placement of staff into positions appropriately suited to their skills and abilities practice	Staff placement policy; appointment letters	Policy document; appointment letters	Sept 2008	Not achieved					
Ensure management of communication between the administration and political structures and political office bearers	No of workshops; advisories as well as policies or codes of good practice	Correspondences, communication plan/ strategy and reports	March 2009 and as required	Ongoing	2	2			
To ensure ongoing implementation and review of the Performance Management System	Quarterly Assessment reports	Council reports and resolutions	Quarterly	Not achieved	4	0			DLGTA has been asked to assist the municipality in this regard
Good Governance and Public Participation									
Ensure good Intergovernmental Relations in the affairs of the municipality	Number of IGR Meetings attended. Intergovernmental disputes resolved (if any)	Correspondence, reports, minutes and attendance registers	Quarterly	bi-monthly	4	8			
	Internal Audit Unit established	Agenda, Minutes, Register & Register	Sept 2008	Aug-08	1	1			
Ensure proper and diligent compliance with the MFMA within the prescribed time frames	Audit Committee established	Agenda, Minutes Register & correspondence	Sept 2008	Aug-08	1	1			
Audit Committee established	Annual Financial Statements submitted	2008 AFS	August 08	Aug-08	1	1			



Performance Report - 2008/2009 - Office of Municipal Manager

	Annual Report presented to the Mayor. Report submitted to Council re: oversight report	Annual Report as presented to the Mayor. Council resolutions on AR and Oversight Report	Jan & March 2009	Jan & March 2009	1	1	
Ensure the participation of the public in the affairs of the municipality on regular intervals at all times	Advertisements, minutes of public engagement, public comments (if any)	Advertisements, minutes of public engagement, public comments (if any)	February & April 2009	February & May 2009	2	2	
	No of questionnaires prepared, submitted and returned	2008 CSS	Apr-09				
Ensure clean financial governance in the municipality at all times	No of internal audits conducted. No of Internal Audits Reports submitted to Council	Reports and Correspondences	Quarterly	Quarterly	3	4	Submit outstanding audits reports to council by end Jan 2010 & quarterly thereafter
	No. of audit committee meetings attended	Reports and Correspondences	Quarterly	bi-annually	3	2	Year calendar of meetings to be adopted by the audit committee
Ensure timeous preparation, implementation and review of the IDP of the municipality	IDP process plan approved	Council resolution	August 08	Aug-08	1	1	
	Reviewed IDP	Council minutes and resolutions	March & May 09	March & July 2009	2	2	
Municipal Financial Viability and Management							
Ensure proper and diligent compliance with the MFMA within the prescribed time frames	adjustment budget and council resolution	Council resolution	As required	Jan-09	1	1	
	Reports submitted to Council, Provincial and National Treasury	Council resolution and correspondences to provincial & or National Treasury	Monthly & Quarterly	Monthly & Quarterly	12	23	Attempts are being made to report to council once a month to avoid inefficiencies in the system
	Budget process plan approved	Council resolution	August 08	Aug-08	1	1	
	Draft budget tabled	Council resolution	March 2009	Mar-09	1	1	
	Annual Budget considered by Council	Council resolution	May 2009	May-09	1	1	

Internal Audit Unit



Overview

Impendle Local Municipality did not have an Audit Committee in the last financial year. The committee was however appointed by Council in August 2008 on a shared basis with UMngeni Local Municipality.

Description of the Activity

The scope of work of the Internal Audit Unit is to determine whether the Impendle Local Municipality network of risk management, control and governance processes, as designed and represented by management, are adequate and functioning in a manner to ensure:

- That risks are appropriately identified and managed;
- That interaction with various governance groups occurs as needed;
- That significant financial, managerial, and operating information is accurate, reliable, and timely;
- That employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
- That resources are acquired economically, used efficiently, and adequately protected;
- That programs, plans, and objectives are achieved;
- That quality and continuous improvement are fostered in the Impendle Local Municipality control process; and
- That significant legislative or regulatory issue impacting the Impendle Local Municipality are recognized and addressed appropriately.
- Evaluate and report on Performance Management.

Analysis of the Function

Internal audit Unit is an independent appraisal which examines and evaluates Impendle Local Municipality activities as a service to Management and the Council. To provide for the independence of the Internal Auditing Unit, its personnel report to the General Manager: Internal Audit, who report administratively to the Municipal Manager and functionally to the Audit Committee.

The department supports members of Impendle Local Municipality in the effective discharge of their duties. The identification and prevention of fraud is clearly a management responsibility. Internal Audit is well qualified and experienced to assist management to identify the main fraud risks facing uMngeni Local Municipality and could assist management in designing appropriate controls that could minimize the effects of the risks.



Outputs achieved by Internal Audit

Good Governance

- Internal Audit Charter was reviewed, updated and adopted;
- Internal Audit Committee Charter was reviewed, updated and adopted;
- Fraud Prevention Plan was reviewed, updated and communicated to relevant officials;
- Whistle Blowers Policy was developed and communicated to relevant officials;
- Protected Disclosures Act was communicated to relevant officials.

Risk Management and Risk Assessment

- Risk Management monitoring was performed bi-annually and reported to Management and the Audit Committee; and
- Risk Assessment was performed for all operational processes on a quarterly basis and reported to Management and the Audit Committee.

Meetings

- Internal Audit departmental meetings were held fortnightly to discuss progress on audit assignments;
- MANCO meetings were attended; and
- Audit Committee meetings were held on a quarterly basis;



Overview of Finance Department

The Finance department provides financial support and guidance to all other directorates within the Municipality on financial related matters. The department is broken down into the following components in order to fulfill its obligations to its internal structures and communities.

Budget Unit

Revenue

- Customer Billing
 - Sent monthly statements to rates, refuse and miscellaneous customers
 - Developed a credible valuation roll
- Debt Management and customer care
 - Cleared customer queries
 - Wrote letters reminding arrears debtors to honour their accounts obligation
 - Produced monthly age analysis reports
 - Handed over defaulters to legal debt collector
 - Issuing of rates clearance certificates
- Receipting and Depositing
 - Produced traceable receipts for every cash received
 - Deposit cash and cheques once a week
- Motor Vehicle Licensing
 - Vehicle registration
 - Renewal of motor vehicle licenses
 - Duplication of log books
 - Issuing of special permits
 - Clearing of vehicles
 - Change of ownership
- Expenditure
 - Payroll Management
 - Paid councillors and staff salaries and benefits
- Management of creditors
 - Payment of creditors
 - Projects management
- VAT Reconciliation
 - Monthly submission of vat 201 return to SARS
 - Third party payments
 - Up to-date monthly payment and submission of pension fund returns for staff and councillors
 - Up to-date monthly payment and submission of PAYE, UIF, SDL to SARS